

**BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Dan Voss	President	2011
Brian Strellner	Vice President	2011
Bill Boies	Board Member	2011
Brenda Schanbacher	Board Member	2011
Jack Barnes	Board Member	2013
Wayne Reinhardt	Board Member	2013
Patrick Stepanek	Board Member	2013
(After September 2011 election)		
Dan Voss	President	2015
Brian Strellner	Vice President	2015
Jack Barnes	Board Member	2013
Wayne Reinhardt	Board Member	2013
Patrick Stepanek	Board Member	2013
Bill Boies	Board Member	2015
Roy Becker	Board Member	2015
<u>School Officials</u>		
Gary Zittergruen	Superintendent	2012
Doug Embray	District Secretary/ Associate Superintendent	2012
Eva Bartelt	District Treasurer	2012
Ray and Associates	Attorney-Negotiations	Indefinite
Lynch, Dallas PC	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2013 on our consideration of Benton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS 2012

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2012. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2012.

This is the tenth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Fiscal 2012 Financial Highlights

- ◆ General Fund revenue and other financing sources increased from \$15,359,130 in fiscal 2011 to \$15,692,207 in fiscal 2012 while General Fund expenditures and other financing uses increased from \$14,395,559 in fiscal 2011 to \$15,013,271 in fiscal 2012. This resulted in an overall change in the District's General Fund balance from \$1,926,007 in fiscal 2011 to \$2,640,943 in fiscal 2012, an increase from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributed to an increased cash levy. The school district entered its tenth year of the District Instructional Support Levy, funded by a mixture of Income-surtax and local property tax. The levy is scheduled to provide approximately \$753,000 for District identified purchases.
- ◆ The increase in expenditures was due primarily to personnel settlements, technology hardware/software and increased vendor services to the school district.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2012 fiscal year. The revenue from this tax has been used to reduce District long-term debt. This funding stream continues to support district infrastructure needs.
- ◆ A stagnant economy continues to impact earning rates during the fiscal year, resulting in low General Fund interest earnings on investments. In fiscal year 2011, the District earned \$10,022 on investments. In fiscal year 2012, the District earned \$10,371 on investments, a slight increase over last year's earnings.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2012 fiscal year. The Voted portion of the District PPEL fund expired in Fiscal 2011. The District continues to support the .33 cent portion of annual PPEL revenue through the annual budgeting process.
- ◆ The District has completed a renovation of our MS/HS Auditorium and Activity Stadium financed by sales revenue funds through a sales revenue bond. This bond issue for FY 12 was \$5,820,000 and will be funded by sales revenue receipts annually.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

In the District-wide financial statements, the District's activities are divided into two categories:

- ◆ **Governmental funds:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ◆ **Business-type funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

The fund financial statements, included with this report, provide more detailed information about the District's funds, focusing on its most significant or major funds. Funds are accounting devices the District uses to keep track of specific sources of revenue and spending on particular programs. Funds do not focus on the District as a whole.

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.
- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.
- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes and the assets reported in the fiduciary funds. The District excludes these activities from District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2011 and June 30, 2012.

Figure A-1 Statement of Net Assets

	Government Activities	Business Activity	School District	Government Activities	Business Activities	School District	Change
	2011	2011	2011	2012	2012	2012	
Current /other assets	15,507,622	180,056	15,695,678	18,150,984	164,779	18,315,763	2,620,085
Capital Assets	16,447,227	111,464	16,558,691	19,424,715	116,380	19,541,095	2,982,404
Total Assets	31,954,849	299,520	32,254,369	37,575,699	281,159	37,856,858	5,602,489
Long-term obligations	9,326,596	0	9,326,596	12,570,304	0	12,570,304	3,243,708
Other liabilities	8,492,644	22,063	8,514,707	9,716,938	27,629	9,744,567	1,229,860
Total Liabilities	17,819,240	22,063	17,841,303	22,287,242	27,629	22,314,871	4,473,568
Net Assets:							
Invested in capital Assets, net of debt	7,387,227	111,464	7,498,691	9,872,141	116,380	9,988,521	2,489,830
Restricted	5,465,168	0	5,465,168	3,127,343	0	3,127,343	-2,337,825
Unrestricted	1,283,214	165,993	1,449,207	2,288,973	137,150	2,426,123	976,916
Total Net Assets	14,135,609	277,457	14,413,066	15,288,457	253,530	15,541,987	1,128,921

Changes in net assets: Figure A-2 shows the changes in net assets for the years ending June 30, 2011 and June 30, 2012.

Figure A-2 Changes in Net Assets

	Government Activities 2011	Business Activities 2011	School District 2011	Government Activities 2012	Business Activities 2012	School District 2012	Change
Revenues:							
Program Revenue:							
Charge for service / sales	1,413,546	555,350	1,968,896	1,320,782	559,773	1,880,555	-88,341
Operating grants, restricted interest	2,531,963	252,390	2,784,353	2,504,474	250,325	2,754,799	-29,554
Capital grants, and restricted interest	0	20,000	20,000	61,090	0	61,090	41,090
General Revenues:							
Property tax	7,770,639	0	7,770,639	8,180,132	0	8,180,132	409,493
Unrestricted state grants	6,288,891	0	6,288,891	6,144,403	0	6,144,403	-144,488
Unrestricted investments	40,163	637	40,800	53,190	486	53,676	12,876
Other	42,935	0	42,935	133,057	0	133,057	90,122
Total revenues	18,088,137	828,377	18,916,514	18,397,128	810,584	19,207,712	291,198
Program Expenses:							
Governmental activities							
Instruction	10,356,462	0	10,356,462	11,034,926	0	11,034,926	678,464
Support services	4,549,088	0	4,549,088	4,704,672	12,592	4,717,264	168,176
Non-instruction Programs	0	788,626	788,626	0	821,919	821,919	33,293
Other expenses	1,538,756	0	1,538,756	1,474,352	0	1,474,352	-64,404
Total expenses	16,444,306	788,626	17,232,932	17,213,950	834,511	18,048,461	815,529
Special Items	0	0	0	-30,330	0	-30,330	-30,330
Change in net assets	1,643,831	39,751	1,683,582	1,152,848	-23,927	1,128,921	-554,661

Property tax and unrestricted state grants account for 75% of the District's total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,397,128 and expenses were \$17,213,950 in fiscal 2012, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. The following table presents the total and net cost of the District's major governmental activities; instruction, support services, non-instructional programs and other expenses.

Figure A-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2011 and June 30, 2012.

	Cost of Services 2011	Net Cost of Services 2011	Cost of Services 2012	Net Cost of Services 2012	Change
Instruction	10,356,462	7,118,013	11,034,926	7,848,273	730,260
Support services	4,549,088	4,498,529	4,704,672	4,659,407	160,878
Non-instructional programs	0	0	0	0	0
Other expenses	1,538,756	882,255	1,474,352	819,924	-62,331
Total	16,444,306	12,498,797	17,213,950	13,327,604	828,807

- ◆ The cost financed by users of District's programs was \$1,320,782
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$2,504,474
- ◆ The net cost of governmental activities was financed with \$8,180,132 in property tax and other taxes, \$6,144,403 in state foundation aid and \$53,190 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$810,584 and expenses were \$834,511. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2012, the District increased its meal prices and preschool fees. However, total revenues were still down \$17,793 from the prior year while expenses were up \$45,885.

Financial Analysis of the District's Funds

As previously noted, the Benton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$ 7,992,882 an increase over last year's ending fund balance of \$ 6,539,118.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The increase in cash levy asking resulted in an increase in revenues. The increase in revenues was coupled with only a slight increase in General Fund expenditures. These conditions resulted in an increase in the District's carry over fund balance.
- ◆ The General Fund balance increased from \$1,962,007 to \$2,640,943 for the 2012 fiscal year. In addition 2012 was the tenth year for a District Instructional Support Levy, which has helped support expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PEEL) Fund balance decreased in 2012. The Fund balance decreased from \$900,028 in fiscal 2011 to \$234,261 in fiscal 2012. This fund balance will be needed as the District prepares to complete identified construction projects in various district buildings. The voted portion of this levy expired in FY 11.
- ◆ The District's Capital Project Funds increased to a balance of \$3,773,813 on June 30, 2012. This balance is a combination of One-cent sales tax money collections, reserve related to the Middle/High School building project and bond revenue to complete the Atkins Elementary Renovation Project and the MS/HS Stadium and Auditorium Renovation. A portion of this balance is reserved for long-term debt reduction and infrastructure projects.

Proprietary Fund Highlights

The School Nutrition Fund had net assets of \$255,322 on June 30, 2012. As previously noted the District increased meal prices but will need to continue to monitor meal pricing as net assets decreased by \$5,621.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year the District amended its budget one time to reflect additional capital projects expenditures associated with the revenue bond issuance. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual revenues in 2012 were \$19,169,761; \$1,792,560 less than the total budget revenues amount of \$20,962,321 in 2011. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction function.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2012, the District had invested \$19,541,095 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$633,463.

Excluding depreciation, the District has over twenty-eight million dollars in capital assets. Governmental Funds account for the majority of the District's capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2011 and June 30, 2012.

	Governmental	Business-type	School	Governmentl	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2011	2011	2011	2012	2012	2012
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	223,377	0	223,377	279,552	0	279,552
Buildings	15,417,203	0	15,417,203	15,519,022	0	15,519,022
Construction	94,035	0	94,035	2,873,303	0	2,873,303
Furniture/Equip	649,556	111,464	761,020	689,782	116,380	806,162
Totals	16,447,227	111,464	16,558,691	19,424,715	116,380	19,541,045

Long-Term Debt

On June 30, 2012, the District had \$12,570,304 in revenue bonds and other long-term debt outstanding. This represents an increase of \$3,243,708 from the 2011 fiscal year. These funds are being used to finance the Middle School/High School Facility Roof and Drainage improvements and the Atkins Elementary Renovation Project and MS/HS Stadium and Building renovation.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- ◆ The District has experienced declining enrollment for seven of the past eight years. The District has annually monitored this decline and has been able to react through aggressive cash levy options and use of Federal Stimulus Funding. The District has been able to reduce expenditures annually through district personnel attrition and early retirement incentives. Current projections suggest a continued enrollment decline for the next three fiscal years.
- ◆ The District Voted Physical Plant and Equipment Levy expired in 2011. The District has continued to support the .33 PPEL Levy through annual budgeting practices.
- ◆ Future obligations impacting the Sales Revenue Fund (33) include; Current annual payments are calculated to be approximately \$850,000 annually, the Sales Revenue Fund will generate annually, with the assumption of 2% State Sales Revenue Growth and declining district enrollment of 25 students annually, approximately \$1,000,000 per year.
- ◆ The District has annually supported the board approved Instructional Support Levy, ISL for the district improvements in technology, staff development, and textbook needs. This levy is a combination of property tax and district income surtax and generates approximately \$747,000 annually for the General Fund (10). If this levy is not supported on an annual basis the district general fund would be impacted by these expenses.
- ◆ The District will negotiate a new labor contract in 2013 with its employee groups for fiscal 2014. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and Reserve Fund Balance. The district will be budgeting district resources and expense within the state budget guarantee of 101% of the 2013 budget due to declining enrollment.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horn, Iowa 52346-0070.

Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 10,212,151	\$ 141,265	\$ 10,353,416
Receivables:			
Property tax:			
Current year	81,233	-	81,233
Succeeding year	6,461,366	-	6,461,366
Income surtax	603,757	-	603,757
Accounts	1,793	551	2,344
Due from other governments	781,882	-	781,882
Inventories	8,802	22,963	31,765
Capital assets, net of accumulated depreciation (note 5)	19,424,715	116,380	19,541,095
Total assets	37,575,699	281,159	37,856,858
Liabilities			
Accounts payable	1,848,700	848	1,849,548
Salaries and benefits payable	1,244,279	11,334	1,255,613
Accrued interest payable	162,593	-	162,593
Deferred revenue:			
Succeeding year property tax	6,461,366	-	6,461,366
Other	-	15,447	15,447
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	44,634	-	44,634
Bonds payable	200,000	-	200,000
Capital lease purchase agreement	63,502	-	63,502
Portion due after one year:			
Early retirement	44,634	-	44,634
Bonds payable	11,920,000	-	11,920,000
Capital lease purchase agreement	65,534	-	65,534
Net OPEB liability	232,000	-	232,000
Total liabilities	22,287,242	27,629	22,314,871

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 9,872,141	\$ 116,380	\$ 9,988,521
Restricted for:			
Categorical funding (note 11)	723,727	-	723,727
Debt service	1,168,489	-	1,168,489
Capital projects	767,684	-	767,684
Physical plant and equipment levy purposes	105,225	-	105,225
Management levy purposes	74,862	-	74,862
Student activities	269,861	-	269,861
Baseball program	17,495	-	17,495
Unrestricted	2,288,973	137,150	2,426,123
Total net assets	\$ 15,288,457	\$ 253,530	\$ 15,541,987

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 11,034,926	\$ 1,320,782	\$ 1,865,871	\$ -
Support services:				
Student services	195,028	-	-	-
Instructional staff services	468,244	-	-	-
Administration services	1,571,107	-	-	-
Operation and maintenance of plant services	1,507,414	-	-	-
Transportation services	962,879	-	45,265	-
	<u>4,704,672</u>	<u>-</u>	<u>45,265</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	4,241	-	-	61,090
Long-term debt interest and fiscal charges	410,552	-	-	-
AEA flowthrough	593,338	-	593,338	-
Depreciation (unallocated) *	466,221	-	-	-
	<u>1,474,352</u>	<u>-</u>	<u>593,338</u>	<u>61,090</u>
Total governmental activities	17,213,950	1,320,782	2,504,474	61,090

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (7,848,273)	\$ -	\$ (7,848,273)
(195,028)	-	(195,028)
(468,244)	-	(468,244)
(1,571,107)	-	(1,571,107)
(1,507,414)	-	(1,507,414)
(917,614)	-	(917,614)
(4,659,407)	-	(4,659,407)
56,849	-	56,849
(410,552)	-	(410,552)
-	-	-
(466,221)	-	(466,221)
(819,924)	-	(819,924)
(13,327,604)	-	(13,327,604)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Operation and maintenance of plant services	\$ 12,592	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	743,403	499,563	250,325	-
Preschool/daycare operations	78,516	60,210	-	-
	<u>821,919</u>	<u>559,773</u>	<u>250,325</u>	<u>-</u>
Total business-type activities	<u>834,511</u>	<u>559,773</u>	<u>250,325</u>	<u>-</u>
Total	\$ 18,048,461	\$ 1,880,555	\$ 2,754,799	\$ 61,090

General revenues:

Property tax levied for:

- General purposes
- Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Special item-loss on disposal of equipment

Total general revenues and special items

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ -	\$ (12,592)	\$ (12,592)
-		
-	6,485	6,485
-	(18,306)	(18,306)
-	(11,821)	(11,821)
-	(24,413)	(24,413)
(13,327,604)	(24,413)	(13,352,017)
\$ 6,217,457	\$ -	\$ 6,217,457
173,696	-	173,696
583,162	-	583,162
1,205,817	-	1,205,817
6,144,403	-	6,144,403
53,190	486	53,676
133,057	-	133,057
(30,330)	-	(30,330)
14,480,452	486	14,480,938
1,152,848	(23,927)	1,128,921
14,135,609	277,457	14,413,066
<u>\$ 15,288,457</u>	<u>\$ 253,530</u>	<u>\$ 15,541,987</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 3,931,155	\$ 892,379	\$ 4,931,379	\$ 457,238	\$ 10,212,151
Receivables:					
Property tax:					
Current year	75,213	-	2,174	3,846	81,233
Succeeding year	6,012,205	-	174,162	274,999	6,461,366
Income surtax	603,757	-	-	-	603,757
Interfund receivable (note 4)	1,504	-	-	-	1,504
Accounts	1,793	-	-	-	1,793
Due from other governments	197,974	-	583,908	-	781,882
Inventories	8,802	-	-	-	8,802
Total assets	<u>\$ 10,832,403</u>	<u>\$ 892,379</u>	<u>\$ 5,691,623</u>	<u>\$ 736,083</u>	<u>\$ 18,152,488</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 331,219	\$ -	\$ 1,509,387	\$ 8,094	\$ 1,848,700
Salaries and benefits payable	1,244,279	-	-	-	1,244,279
Interfund payable (note 4)	-	-	-	1,504	1,504
Deferred revenue:					
Succeeding year property tax	6,012,205	-	174,162	274,999	6,461,366
Other	603,757	-	-	-	603,757
Total liabilities	8,191,460	-	1,683,549	284,597	10,159,606
Fund balances:					
Nonspendable:					
Inventories	8,802	-	-	-	8,802
Restricted for:					
Categorical funding (note 11)	723,727	-	-	-	723,727
Revenue bonds	-	550,000	438,703	-	988,703
Revenue bonds sinking fund	-	339,656	-	-	339,656
Debt service	-	2,723	-	-	2,723
School infrastructure	-	-	3,335,110	-	3,335,110
Physical plant and equipment	-	-	234,261	-	234,261
Management levy purposes	-	-	-	164,130	164,130
Student activities	-	-	-	269,861	269,861
Baseball program	-	-	-	17,495	17,495
Unassigned	1,908,414	-	-	-	1,908,414
Total fund balances	2,640,943	892,379	4,008,074	451,486	7,992,882
Total liabilities and fund balances	\$ 10,832,403	\$ 892,379	\$ 5,691,623	\$ 736,083	\$ 18,152,488

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2012

Total fund balances of governmental funds	\$ 7,992,882
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,424,715
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	603,757
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(162,593)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(12,570,304)</u>
Net assets of governmental activities	<u>\$ 15,288,457</u>
See notes to financial statements.	

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 6,261,804	\$ -	\$ 1,642,955	\$ 303,244	\$ 8,208,003
Tuition	489,773	-	-	-	489,773
Other	159,409	22,690	21,345	690,091	893,535
State sources	8,005,498	-	109	186	8,005,793
Federal sources	762,073	-	-	-	762,073
Total revenues	15,678,557	22,690	1,664,409	993,521	18,359,177
Expenditures:					
Current:					
Instruction	10,024,725	-	196,668	712,512	10,933,905
Support services:					
Student services	195,028	-	-	-	195,028
Instructional staff services	467,275	-	-	-	467,275
Administration services	1,507,733	-	-	66,234	1,573,967
Operation and maintenance of plant services	1,278,157	-	89,426	238,017	1,605,600
Transportation services	925,781	-	-	1,903	927,684
	4,373,974	-	89,426	306,154	4,769,554
Other expenditures:					
Facilities acquisition	-	-	3,357,230	-	3,357,230
Long term debt:					
Principal	-	2,760,000	-	-	2,760,000
Interest and fiscal charges	-	388,645	121,517	-	510,162
AEA flowthrough	593,338	-	-	-	593,338
	593,338	3,148,645	3,478,747	-	7,220,730
Total expenditures	14,992,037	3,148,645	3,764,841	1,018,666	22,924,189
Excess (deficiency) of revenues over (under) expenditures	686,520	(3,125,955)	(2,100,432)	(25,145)	(4,565,012)

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 13,650	\$ -	\$ -	\$ -	13,650
Revenue bonds issued	-	-	5,820,000	-	5,820,000
Premium on revenue bonds issued	-	-	56,090	-	56,090
Execution of capital lease	-	-	129,036	-	129,036
Interfund transfers in (note 3)	-	3,147,853	-	21,234	3,169,087
Interfund transfers out (note 3)	(21,234)	-	(3,147,853)	-	(3,169,087)
Total other financing sources (uses)	(7,584)	3,147,853	2,857,273	21,234	6,018,776
Net change in fund balances	678,936	21,898	756,841	(3,911)	1,453,764
Fund balances beginning of year	1,962,007	870,481	3,251,233	455,397	6,539,118
Fund balances end of year	\$ 2,640,943	\$ 892,379	\$ 4,008,074	\$ 451,486	\$ 7,992,882

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 1,453,764

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,623,848	
Depreciation expense	<u>(616,030)</u>	3,007,818

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (30,330)

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (31,789)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (5,949,036)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 2,760,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (2,907)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(23,672)	
Net OPEB liability	<u>(31,000)</u>	<u>(54,672)</u>

Change in net assets of governmental activities \$ 1,152,848

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2012

	School Nutrition	Nonmajor- Preschool Daycare	Total
Assets			
Cash and cash equivalents	\$ 131,723	\$ 9,542	\$ 141,265
Accounts receivable	551	-	551
Inventories	22,963	-	22,963
Capital assets, net of accumulated depreciation (note 5)	116,380	-	116,380
Total assets	<u>271,617</u>	<u>9,542</u>	<u>281,159</u>
Liabilities			
Accounts payable	848	-	848
Salaries and benefits payable	-	11,334	11,334
Deferred revenue	15,447	-	15,447
Total liabilities	<u>16,295</u>	<u>11,334</u>	<u>27,629</u>
Net Assets			
Invested in capital assets	116,380	-	116,380
Unrestricted	138,942	(1,792)	137,150
Total net assets	<u>\$ 255,322</u>	<u>\$ (1,792)</u>	<u>\$ 253,530</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Nonmajor- Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 499,563	\$ 60,210	\$ 559,773
Operating expenses:			
Support services:			
Operation and maintenance of plant services	12,592	-	12,592
Non-instructional programs	743,403	78,516	821,919
	<u>755,995</u>	<u>78,516</u>	<u>834,511</u>
Operating loss	(256,432)	(18,306)	(274,738)
Non-operating revenues:			
Interest on investments	486	-	486
State sources	6,123	-	6,123
Federal sources	244,202	-	244,202
Total non-operating revenues	<u>250,811</u>	<u>-</u>	<u>250,811</u>
Change in net assets	(5,621)	(18,306)	(23,927)
Net assets beginning of year	<u>260,943</u>	<u>16,514</u>	<u>277,457</u>
Net assets end of year	<u>\$ 255,322</u>	<u>\$ (1,792)</u>	<u>\$ 253,530</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Nonmajor- Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 475,363	\$ -	\$ 475,363
Cash received from miscellaneous operating activities	26,445	60,210	86,655
Cash payments to employees for services	(330,529)	(92,802)	(423,331)
Cash payments to suppliers for goods or services	(360,685)	(2,259)	(362,944)
Net cash used by operating activities	(189,406)	(34,851)	(224,257)
Cash flows from non-capital financing activities:			
State grants received	6,123	-	6,123
Federal grants received	196,890	-	196,890
Net cash provided by non-capital financing activities	203,013	-	203,013
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(22,349)	-	(22,349)
Cash flows from investing activities:			
Interest on investments	486	-	486
Net decrease in cash and cash equivalents	(8,256)	(34,851)	(43,107)
Cash and cash equivalents beginning of year	139,979	44,393	184,372
Cash and cash equivalents end of year	\$ <u>131,723</u>	\$ <u>9,542</u>	\$ <u>141,265</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	School Nutrition	Nonmajor- Preschool Daycare	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (256,432)	\$ (18,306)	\$ (274,738)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	17,433	-	17,433
Commodities used	47,312	-	47,312
Decrease in accounts receivable	75	-	75
Decrease in inventories	4,922	-	4,922
(Decrease) in accounts payable	(4,886)	-	(4,886)
Increase in salaries and benefits payable	-	8,282	8,282
(Decrease) in interfund payable	-	(24,827)	(24,827)
Increase in deferred revenue	2,170	-	2,170
Net cash used by operating activities	\$ <u>(189,406)</u>	\$ <u>(34,851)</u>	\$ <u>(224,257)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$47,312 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Van Horne, Atkins, Blairstown, Elberon, Keystone, Newhall, Norway, and Watkins, Iowa, and agricultural territory in Benton, Tama, and Iowa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Benton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Benton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Benton and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>783,932</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue - Management Levy	General	\$ 21,234
Debt Service	Capital Projects	<u>3,147,853</u>
Total		<u>\$ 3,169,087</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Interfund Receivables and Payables

At June 30, 2012, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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Interfund balances between governmental funds:

General	Special Revenue - Student Activity	\$ <u><u>1,504</u></u>
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The interfund balance is due to timing differences involved in payroll reimbursements. This balance is not included on the District-wide Statement of Net Assets.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	94,035	2,873,303	94,035	2,873,303
Total capital assets not being depreciated	<u>157,091</u>	<u>2,873,303</u>	<u>94,035</u>	<u>2,936,359</u>
Capital assets being depreciated:				
Buildings	22,326,728	555,493	1,500	22,880,721
Improvements other than buildings	469,861	76,938	-	546,799
Furniture and equipment	2,434,972	212,149	354,569	2,292,552
Total capital assets being depreciated	<u>25,231,561</u>	<u>844,580</u>	<u>356,069</u>	<u>25,720,072</u>
Less accumulated depreciation for:				
Buildings	6,909,525	453,674	1,500	7,361,699
Improvements other than buildings	246,484	20,763	-	267,247
Furniture and equipment	1,785,416	141,593	324,239	1,602,770
Total accumulated depreciation	<u>8,941,425</u>	<u>616,030</u>	<u>325,739</u>	<u>9,231,716</u>
Total capital assets being depreciated, net	<u>16,290,136</u>	<u>228,550</u>	<u>30,330</u>	<u>16,488,356</u>
Governmental activities capital assets, net	<u>\$ 16,447,227</u>	<u>\$ 3,101,853</u>	<u>\$ 124,365</u>	<u>\$ 19,424,715</u>
Business-type activities:				
Furniture and equipment	\$ 266,870	\$ 22,349	\$ 24,120	\$ 265,099
Less accumulated depreciation	<u>155,406</u>	<u>17,433</u>	<u>24,120</u>	<u>148,719</u>
Business-type activities capital assets, net	<u>\$ 111,464</u>	<u>\$ 4,916</u>	<u>\$ -</u>	<u>\$ 116,380</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 31,688
Support services:	
Administration	2,296
Operation and maintenance of plant services	7,613
Transportation	<u>108,212</u>
	149,809
Unallocated depreciation	<u>466,221</u>

Total governmental activities depreciation expense	\$ <u>616,030</u>
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Business-type activities:

Food service operations	\$ <u>17,433</u>
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BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 65,596	\$ 89,268	\$ 65,596	\$ 89,268	\$ 44,634
General obligation bonds	2,585,000	-	2,585,000	-	-
Revenue bonds	6,475,000	5,820,000	175,000	12,120,000	200,000
Capital lease purchase agreement	-	129,036	-	129,036	63,502
Net OPEB liability	201,000	31,000	-	232,000	-
Total	<u>\$ 9,326,596</u>	<u>\$ 6,069,304</u>	<u>\$ 2,825,596</u>	<u>\$ 12,570,304</u>	<u>\$ 308,136</u>

Early Retirement

The District offered a voluntary early retirement plan to its licensed employees for the year ended June 30, 2012 only. Eligible employees must be at least age fifty-five on or before June 30, 2012 and must have completed twenty years of continuous contracted service with the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 45% of the employee's base salary excluding extra duty, extra-curricular, Phase II monies, teacher compensation funds, teacher quality funds or other payments not included in the salary schedule. Early retirement benefits will be paid into a 403(b) plan in two equal annual payments in November 2012 and November 2013.

At June 30, 2012, the District has obligations to four participants with a total liability of \$89,268. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$65,596. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 school infrastructure sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.000 %	\$ 200,000	\$ 276,312	\$ 476,312
2014	3.000	250,000	269,563	519,563
2015	4.000	250,000	260,812	510,812
2016	4.000	275,000	250,313	525,313
2017	4.000	275,000	239,312	514,312
2018-2022	4.000-4.250	1,570,000	1,018,138	2,588,138
2023-2027	4.375-5.000	2,015,000	624,407	2,639,407
2028-2030	5.000	1,465,000	111,625	1,576,625
		<u>\$ 6,300,000</u>	<u>\$ 3,050,482</u>	<u>\$ 9,350,482</u>

Year Ending June 30,	Issue dated May 1, 2012			
	Interest Rates	Principal	Interest	Total
2013	- %	\$ -	\$ 92,535	\$ 92,535
2014	2.00	150,000	137,303	287,303
2015	2.00	300,000	132,802	432,802
2016	2.00	305,000	126,753	431,753
2017	2.00	315,000	120,552	435,552
2018-2022	2.00-2.15	1,660,000	505,054	2,165,054
2023-2027	2.30-2.80	1,855,000	307,467	2,162,467
2028-2030	2.85-3.00	1,235,000	56,025	1,291,025
		<u>\$ 5,820,000</u>	<u>\$ 1,478,491</u>	<u>\$ 7,298,491</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 200,000	\$ 368,847	\$ 568,847
2014	400,000	406,866	806,866
2015	550,000	393,614	943,614
2016	580,000	377,066	957,066
2017	590,000	359,864	949,864
2018-2022	3,230,000	1,523,192	4,753,192
2023-2027	3,870,000	931,874	4,801,874
2028-2030	2,700,000	167,650	2,867,650
	<u>\$ 12,120,000</u>	<u>\$ 4,528,973</u>	<u>\$ 16,648,973</u>

The District pledged future statewide sales and services tax revenues to repay the \$6,575,000 and \$5,820,000 bonds issued in July 2009 and May 2012, respectively. The bonds were issued for the purpose of financing a portion of the costs of an elementary school addition and to fund renovations to the track and football fields, middle/high school auditorium, and gymnasium bleachers and other miscellaneous infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 to 80 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$16,648,973. For the current year, principal of \$175,000 and interest of \$281,938 was paid on the bonds and total statewide sales and services tax revenues were \$1,205,817.

The resolutions providing for the issuance of the school infrastructure sales and service tax revenue bonds include the following provisions:

- a) \$550,000 and \$438,702.50, respectively, of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited in the Project Fund.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- c) Sufficient monthly deposits amounting to one twelfth of the next principal and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the District entered into a capital lease purchase agreement for computers and computer equipment totaling \$196,667. The agreement provides for an initial payment and two additional annual payments of \$67,631 and includes interest at 3.2%.

Details of the District's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 63,502	\$ 4,129	\$ 67,631
2014	65,534	2,097	67,631
	<u>\$ 129,036</u>	<u>\$ 6,226</u>	<u>\$ 135,262</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 32 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer Health and Benefits Administration. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 79,000
Interest on net OPEB obligation	9,000
Adjustment to annual required contribution	<u>(11,000)</u>
Annual OPEB cost	77,000
Contributions made	<u>(46,000)</u>
Increase in net OPEB obligation	31,000
Net OPEB obligation beginning of year	<u>201,000</u>
Net OPEB obligation end of year	<u>\$ 232,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$46,000 to the medical plan. Plan members eligible for benefits contributed \$98,000, or 68% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 77,000	59.7%	\$ 232,000

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$758,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$758,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,911,000, and the ratio of the UAAL to covered payroll was 39.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2009.

Projected claim costs of the medical plan are \$779 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$794,705, \$667,045, and \$657,112, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Benton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$593,338 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Limited English proficient	\$ 5,036
Home school assistance program	12,541
At-risk programs	49,382
Gifted and talented programs	140,326
Returning dropouts and dropout prevention programs	54,372
Four-year-old preschool	359,732
Beginning teacher mentoring and induction	3,398
Salary improvement program	83,229
Textbook aid for nonpublic students	2,320
Reading recovery	125
Model core curriculum	1,500
Professional development for model core curriculum	10,020
Market factor incentives	1,746
Total	<u>\$ 723,727</u>

Note 12. Construction Commitments

The District has entered into various contracts totaling \$4,697,204 for an athletic facility and fine arts improvement project. As of June 30, 2012, costs of \$2,133,910 had been incurred against the contracts. The balance of \$2,563,294 remaining at June 30, 2012 will be paid as work on the projects progresses.

Note 13. Subsequent Events

In November 2012, the District approved a roof replacement contract for \$729,500.

In December 2012, the District approved a capital lease purchase agreement for computers and computer equipment totaling \$294,128. The agreement will be paid over three years and includes interest at 2.454%.

Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 9,591,311	\$ 560,259	\$ 10,151,570	\$ 9,854,752	\$ 9,854,752	\$ 296,818
Intermediate sources	-	-	-	25,000	25,000	(25,000)
State sources	8,005,793	6,123	8,011,916	8,833,515	8,833,515	(821,599)
Federal sources	762,073	244,202	1,006,275	620,000	620,000	386,275
Total revenues	18,359,177	810,584	19,169,761	19,333,267	19,333,267	(163,506)
EXPENDITURES/EXPENSES:						
Instruction	10,933,905	-	10,933,905	10,275,000	10,275,000	(658,905)
Support services	4,769,554	12,592	4,782,146	5,181,000	5,181,000	398,854
Non-instructional programs	-	821,919	821,919	1,211,000	1,211,000	389,081
Other expenditures	7,220,730	-	7,220,730	3,839,424	9,659,424	2,438,694
Total expenditures/expenses	22,924,189	834,511	23,758,700	20,506,424	26,326,424	2,567,724
Excess (deficiency) of revenues over (under) expenditures/ expenses	(4,565,012)	(23,927)	(4,588,939)	(1,173,157)	(6,993,157)	2,404,218
Other financing sources, net	6,018,776	-	6,018,776	-	-	6,018,776
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,453,764	(23,927)	1,429,837	(1,173,157)	(6,993,157)	8,422,994
Balance beginning of year	6,539,118	277,457	6,816,575	6,516,509	6,516,509	300,066
Balance end of year	<u>\$ 7,992,882</u>	<u>\$ 253,530</u>	<u>\$ 8,246,412</u>	<u>\$ 5,343,352</u>	<u>\$ (476,648)</u>	<u>\$ 8,723,060</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$5,820,000.

During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,011	\$ 1,011	0.0%	\$ 2,497	40.5%
2011	July 1, 2010	-	758	758	0.0%	2,139	35.4%
2012	July 1, 2010	-	758	758	0.0%	1,911	39.7%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Smith</u>	<u>Total</u>
			<u>Trust</u>	
Assets				
Cash and pooled investments	\$ 160,284	\$ 279,459	\$ 17,495	\$ 457,238
Receivables:				
Property tax:				
Current year	3,846	-	-	3,846
Succeeding year	274,999	-	-	274,999
Total assets	\$ 439,129	\$ 279,459	\$ 17,495	\$ 736,083
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 8,094	\$ -	\$ 8,094
Interfund payable	-	1,504	-	1,504
Deferred revenue:				
Succeeding year property tax	274,999	-	-	274,999
Total liabilities	274,999	9,598	-	284,597
Fund balances:				
Restricted for:				
Management levy purposes	164,130	-	-	164,130
Student activities	-	269,861	-	269,861
Baseball program	-	-	17,495	17,495
Total fund balances	164,130	269,861	17,495	451,486
Total liabilities and fund balances	\$ 439,129	\$ 279,459	\$ 17,495	\$ 736,083

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	<u>Special Revenue</u>		<u>Permanent</u>	
	<u>Management</u>	<u>Student</u>	<u>Marjorie</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Smith</u>	<u>Total</u>
			<u>Trust</u>	
Revenues:				
Local sources:				
Local tax	\$ 303,244	\$ -	\$ -	\$ 303,244
Other	30,831	658,986	274	690,091
State sources	186	-	-	186
Total revenues	<u>334,261</u>	<u>658,986</u>	<u>274</u>	<u>993,521</u>
Expenditures:				
Current:				
Instruction	44,154	668,358	-	712,512
Support services:				
Administration services	66,234	-	-	66,234
Operation and maintenance of plant services	238,017	-	-	238,017
Transportation services	1,903	-	-	1,903
Total expenditures	<u>350,308</u>	<u>668,358</u>	<u>-</u>	<u>1,018,666</u>
Excess (deficiency) of revenues over (under) expenditures	(16,047)	(9,372)	274	(25,145)
Other financing sources:				
Interfund transfers in	<u>21,234</u>	<u>-</u>	<u>-</u>	<u>21,234</u>
Net change in fund balances	5,187	(9,372)	274	(3,911)
Fund balances beginning of year	<u>158,943</u>	<u>279,233</u>	<u>17,221</u>	<u>455,397</u>
Fund balances end of year	<u>\$ 164,130</u>	<u>\$ 269,861</u>	<u>\$ 17,495</u>	<u>\$ 451,486</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 615,371	\$ 232,087	\$ 4,083,921	\$ 4,931,379
Receivables:				
Property tax:				
Current year	-	2,174	-	2,174
Succeeding year	-	174,162	-	174,162
Due from other governments	583,908	-	-	583,908
Total assets	\$ 1,199,279	\$ 408,423	\$ 4,083,921	\$ 5,691,623
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,509,387	\$ 1,509,387
Deferred revenue:				
Succeeding year property tax	-	174,162	-	174,162
Total liabilities	-	174,162	1,509,387	1,683,549
Fund balances:				
Restricted for:				
Revenue bonds	438,703	-	-	438,703
School infrastructure	760,576	-	2,574,534	3,335,110
Physical plant and equipment	-	234,261	-	234,261
Total fund balances	1,199,279	234,261	2,574,534	4,008,074
Total liabilities and fund balances	\$ 1,199,279	\$ 408,423	\$ 4,083,921	\$ 5,691,623

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,205,817	\$ 437,138	\$ -	\$ 1,642,955
Other	12,227	2,005	7,113	21,345
State sources	-	109	-	109
Total revenues	<u>1,218,044</u>	<u>439,252</u>	<u>7,113</u>	<u>1,664,409</u>
Expenditures:				
Current:				
Instruction	-	196,668	-	196,668
Support services:				
Operation and maintenance of plant services	-	89,426	-	89,426
Other expenditures:				
Facilities acquisition	404,029	571,320	2,381,881	3,357,230
Long-term debt:				
Interest and fiscal charges	92,948	-	28,569	121,517
Total expenditures	<u>496,977</u>	<u>857,414</u>	<u>2,410,450</u>	<u>3,764,841</u>
Excess (deficiency) of revenues over (under) expenditures	721,067	(418,162)	(2,403,337)	(2,100,432)
Other financing sources (uses):				
Revenue bonds issued	5,820,000	-	-	5,820,000
Premium on revenue bonds issued	56,090	-	-	56,090
Execution of capital lease	-	129,036	-	129,036
Interfund transfers out	(2,771,212)	(376,641)	-	(3,147,853)
Intrafund transfers in	360,513	-	5,334,788	5,695,301
Intrafund transfers out	(5,334,788)	-	(360,513)	(5,695,301)
Total other financing sources (uses)	<u>(1,869,397)</u>	<u>(247,605)</u>	<u>4,974,275</u>	<u>2,857,273</u>
Net change in fund balances	(1,148,330)	(665,767)	2,570,938	756,841
Fund balances beginning of year	<u>2,347,609</u>	<u>900,028</u>	<u>3,596</u>	<u>3,251,233</u>
Fund balances end of year	<u>\$ 1,199,279</u>	<u>\$ 234,261</u>	<u>\$ 2,574,534</u>	<u>\$ 4,008,074</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 7,984	\$ 3,164	\$ 2,066	\$ 9,082
Drama	4,030	8,765	8,058	4,737
Vocal	20,843	108,563	108,817	20,589
Instrumental	3,654	121,872	120,568	4,958
Industrial Tech. Resale	4,022	2,021	1,865	4,178
Student Council	1,257	1,392	1,422	1,227
Media Club	3,475	1,980	1,552	3,903
Concessions	255	-	-	255
Yearbook	25,656	14,265	14,294	25,627
Art Club	2,317	1,176	2,581	912
Pom Pom	3,868	4,097	7,267	698
SADD	205	-	-	205
FFA	47,434	66,168	62,633	50,969
Spanish Club	16,853	9,364	15,247	10,970
National Honor Society	1,495	3,155	3,288	1,362
FCCLA	555	3,105	2,294	1,366
Wrestlerettes	45	-	-	45
Thespians	1,729	1,765	1,368	2,126
Class of 2009	752	-	751	1
Class of 2010	64	1	65	-
Class of 2011	2,063	-	2,062	1
Class of 2012	2,111	3,984	3,392	2,703
Class of 2013	2,852	1,740	1,857	2,735
Class of 2014	1,519	1,616	41	3,094
Class of 2015	-	1,588	2,365	(777)
Robotics	62	2,303	-	2,365
HOSA	3,962	-	-	3,962
B/G Cocurricular	18,546	14,543	-	33,089
General Athletics	55,237	210,672	219,602	46,307
	232,845	587,299	583,455	236,689
Middle School:				
Student Council	1,859	562	775	1,646

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 542	\$ 29	\$ -	\$ 571
Student Council	10,870	14,234	15,896	9,208
Media Club	7,150	7,154	7,397	6,907
	<u>18,562</u>	<u>21,417</u>	<u>23,293</u>	<u>16,686</u>
Norway:				
Cocurricular	1,145	22	-	1,167
Student Council	4,501	22,902	23,805	3,598
Media Club	3,727	6,817	7,972	2,572
Yearbook	-	65	-	65
	<u>9,373</u>	<u>29,806</u>	<u>31,777</u>	<u>7,402</u>
Keystone:				
Cocurricular	1,671	52	-	1,723
VHE Fundraiser	2,000	-	-	2,000
Student Council	7,232	17,576	26,784	(1,976)
Media Club	5,013	2,274	2,274	5,013
Art Club	678	-	-	678
	<u>16,594</u>	<u>19,902</u>	<u>29,058</u>	<u>7,438</u>
Total	\$ <u>279,233</u>	\$ <u>658,986</u>	\$ <u>668,358</u>	\$ <u>269,861</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>7,211</u>	\$ <u>-</u>
Liabilities				
Other payables	\$ <u>7,211</u>	\$ <u>-</u>	\$ <u>7,211</u>	\$ <u>-</u>

See accompanying independent auditor's report.

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BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 8,208,003	\$ 7,714,179	\$ 7,022,605	\$ 7,365,681
Tuition	489,773	507,759	457,447	432,324
Other	893,535	839,750	796,097	154,779
Intermediate sources	-	-	2,636	24,335
State sources	8,005,793	7,919,389	7,149,682	8,235,992
Federal sources	762,073	1,080,946	902,990	407,638
Total revenues	<u>\$ 18,359,177</u>	<u>\$ 18,062,023</u>	<u>\$ 16,331,457</u>	<u>\$ 16,620,749</u>
Expenditures:				
Instruction	\$ 10,933,905	\$ 10,332,746	\$ 10,026,119	\$ 10,279,703
Support services:				
Student services	195,028	167,276	202,173	240,429
Instructional staff services	467,275	428,220	453,745	439,262
Administration services	1,573,967	1,480,256	1,518,009	1,612,113
Operation and maintenance of plant services	1,605,600	1,533,123	1,600,129	1,550,534
Transportation services	927,684	914,728	749,367	949,790
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	3,357,230	1,993,276	4,879,773	1,112,840
Long-term debt:				
Principal	2,760,000	260,000	155,000	145,000
Interest and fiscal charges	510,162	400,620	337,962	153,888
AEA flowthrough	593,338	656,501	645,657	578,193
Total expenditures	<u>\$ 22,924,189</u>	<u>\$ 18,166,746</u>	<u>\$ 20,567,934</u>	<u>\$ 17,061,752</u>

See accompanying independent auditor's report.

2008	2007	2006	2005
\$ 6,316,008	\$ 6,200,534	\$ 5,749,200	\$ 5,666,309
331,666	411,950	435,003	394,057
922,268	779,811	660,751	554,516
5,020	27,250	-	31,116
8,294,627	7,570,220	7,222,771	6,660,965
326,764	408,774	416,949	275,729
<u>\$ 16,196,353</u>	<u>\$ 15,398,539</u>	<u>\$ 14,484,674</u>	<u>\$ 13,582,692</u>
\$ 9,806,078	\$ 8,915,773	\$ 8,477,351	\$ 8,191,843
247,792	218,385	282,904	236,472
420,346	399,005	415,950	361,657
1,535,295	1,329,890	1,264,891	1,106,402
1,618,579	1,659,135	1,416,325	1,335,313
794,070	857,489	785,013	756,403
27,055	-	-	-
1,184,905	1,040,783	672,640	1,454,627
140,000	135,000	125,000	45,000
134,045	140,015	145,453	203,246
563,196	531,883	500,773	477,287
<u>\$ 16,471,361</u>	<u>\$ 15,227,358</u>	<u>\$ 14,086,300</u>	<u>\$ 14,168,250</u>

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	\$ 23,328
National School Lunch Program	10.555	FY 12	173,562
National School Lunch Program (non-cash)	10.555	FY 12	47,312
			<u>244,202</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	SINA	3,689
Title I Grants to Local Educational Agencies	84.010	FY 12	97,517
			<u>101,206</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>39,552</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>10,075</u>
ARRA - State Fiscal Stabilization Fund - Education			
State Grants, Recovery Act	84.394	FY 10	2,103
ARRA - State Fiscal Stabilization Fund - Education			
State Grants, Recovery Act	84.394	FY 11	84,556
			<u>86,659</u>
Education Jobs Fund	84.410	FY 11	321,291
Education Jobs Fund	84.410	FY 12	4,756
			<u>326,047</u>
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 12	<u>81,956</u>
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>10,232</u>
Total			<u>\$ 899,929</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Benton Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Benton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Benton Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Benton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Benton Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Benton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Benton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 5, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Benton Community School District:

Compliance

We have audited Benton Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Benton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Benton Community School District's management. Our responsibility is to express an opinion on Benton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Benton Community School District's compliance with those requirements.

In our opinion, Benton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Benton Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Benton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Benton Community School District and other parties to whom Benton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
February 5, 2013

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Benton Community School District did not qualify as a low-risk auditee.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-12 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any payables.

Conclusion – Response accepted.

- II-B-12 Nontimely Deposits – We noted one check in the Special Revenue, Student Activity Fund from the District school buildings and one reimbursement check to the General Fund from the Student Activity Fund that were not deposited for 23 to 26 days.

Recommendation – All checks should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities.

Response – We will try to ensure that all checks are deposited timely.

Conclusion – Response accepted.

- II-C-12 Start-up Cash – We noted that the start-up cash for athletic events was not always properly accounted for. For some events, the start-up cash was recorded as an expenditure and the deposit as a revenue, which overstates both revenues and expenditures. In addition, some athletic event gate reconciliations did not properly account for the start-up cash and forced the tickets issued and revenues to match the deposit, which included the start-up cash.

Recommendation – The withdrawal and deposit of all start-up cash should be recorded to the start-up cash balance sheet account, not to revenue or expenditure accounts. All athletic event gate reconciliations should use the actual number of tickets issued and properly account for any start-up cash used. In addition, at least once a year the District should count the outstanding start-up cash and reconcile it to the balance sheet amount.

Response – We will implement these recommendations to properly account for any start-up cash in the future.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the instruction function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

- IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-12 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	2,347,609
Revenues/transfers in:			
Sales tax revenues	\$	1,205,817	
Interest		12,227	
Issuance of long-term debt		5,876,090	
Transfers from other funds:			
Other Capital Projects Fund		<u>360,513</u>	7,454,647
Expenditures/transfers out:			
School infrastructure construction		404,029	
Other		92,948	
Transfers to other funds:			
Debt Service Fund		2,771,212	
Other Capital Projects Fund		<u>5,334,788</u>	<u>8,602,977</u>
Ending balance		\$	<u><u>1,199,279</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.53057	\$ 275,207

BENTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-M-12 Financial Condition – At June 30, 2012, the District had deficit net assets of \$1,792 in the Enterprise, Preschool/Daycare Fund.

Recommendation – The District needs to explore alternatives to restore the Preschool/Daycare Fund to a sound financial condition.

Response – We will work on restoring the fund to a sound financial condition.

Conclusion – Response accepted.